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State of Idaho

Legislative Services Office

## Individual Entity Audit Report

A communication to the Joint Finance-Appropriations Committee

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IDAHO PUBLIC TELEVISION

FY 2010

**Report OP52010**  
**Date Issued: November 29, 2010**

*Serving Idaho's Citizen Legislature*



Idaho Legislative Services Office  
Legislative Audits Division

Don H. Berg, Manager

## IDAHO PUBLIC TELEVISION

### SUMMARY

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#### PURPOSE OF AUDIT REPORT

We have audited the financial statements of Idaho Public Television (IdahoPTV) for the fiscal year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine whether IdahoPTV's financial statements are materially accurate and reliable, and that it complied with laws and regulations affecting fiscal operations.

#### CONCLUSION

We conclude that IdahoPTV's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on IdahoPTV's financial statements.

#### FINDING AND RECOMMENDATION

There is one finding and recommendation in this report.

1. Internal control weaknesses exist in the process for preparing the financial statement note disclosures.

The complete finding and recommendation is detailed on page 30. A copy of this report is available at [www.legislature.idaho.gov](http://www.legislature.idaho.gov).

#### PRIOR FINDING AND RECOMMENDATION

There was one finding and recommendation in the prior report.

1. Internal control weaknesses exist in the process for preparing the financial note disclosures.

**We recommended that IdahoPTV provide additional training and research materials to the reviewers to ensure that financial statements and note disclosures are being properly prepared in compliance with accounting standards.**

IdahoPTV will implement the following changes when preparing financial statements beginning with the fiscal year 2010 financials.

1. Staff will prepare the leases payable closing packages and the fiscal year 2010 financial statements, including note disclosures, in accordance with accounting standards, listing only executed non-cancelable leases for the remaining term of the lease.
2. Drafts of the financial statements and note disclosures will be reviewed in detail by the chief financial officer for both accuracy and completeness. The chief financial officer will verify the processes used to determine IdahoPTV's financial status and text of the financial reports.

3. Reviewers will obtain additional training and research materials to ensure that financial statement notes are being prepared in accordance with accounting standards.

**STATUS: CLOSED**

**AGENCY RESPONSE**

The staff and management at IdahoPTV have reviewed this report and is in general agreement with its contents.

**OTHER INFORMATION**

We discussed other issues which, if changed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the State of Idaho, IdahoPTV, and the State Board of Education, and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the general manager, Peter Morrill, and his staff.

**ASSIGNED STAFF**

Eugene Sparks, CPA, CGFM, Managing Auditor

Kathleen Watkins, CPA, In-Charge Auditor

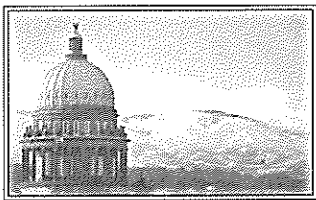
Brinton Croff, CICA, Staff Auditor

Mark Schoenfeld, Staff Auditor

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# Legislative Services Office Idaho State Legislature

*Serving Idaho's Citizen Legislature*

Jeff Youtz  
Director

November 29, 2010

Unqualified Opinion on  
Basic Financial Statements

## Independent Auditor's Report

Peter Morrill, General Manager  
Idaho Public Television  
1455 North Orchard Street  
Boise, ID 83720-0037

Richard Westerberg, President  
Idaho State Board of Education  
650 West State Street, Room 307  
Boise, ID 83720

Dear Mr. Morrill and Mr. Westerberg:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund for Idaho Public Television (IdahoPTV) as of and for the year ended June 30, 2010, which collectively comprise IdahoPTV's basic financial statements as listed in the table of contents. These financial statements are the responsibility of IdahoPTV's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of IdahoPTV as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2010, on our consideration of IdahoPTV's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to

Mike Nugent, Manager  
Research & Legislation

Cathy Holland-Smith, Manager  
Budget & Policy Analysis

Don H. Berg, Manager  
Legislative Audits

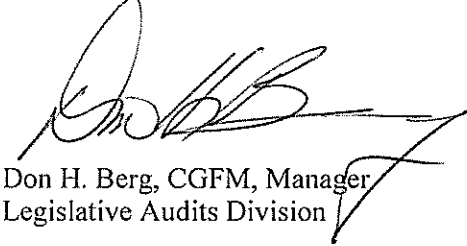
Glenn Harris, Manager  
Information Technology

provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of our audit.

The Management Discussion and Analysis on pages 3 through 6 and Budgetary Comparison Schedule and corresponding note on page 21, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements as required by the Corporation for Public Broadcasting. The supplementary information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Berg', with a long horizontal stroke extending to the right.

Don H. Berg, CGFM, Manager  
Legislative Audits Division

# MANAGEMENT DISCUSSION AND ANALYSIS

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The discussion and analysis of Idaho Public Television's (IdahoPTV) basic financial statements provides an overall review of financial activities for the fiscal year ending June 30, 2010. The analysis provides comparative information for the current fiscal year and the prior fiscal year. The financial statements are presented in accordance with Generally Accepted Accounting Principles (GAAP).

## FINANCIAL HIGHLIGHTS

- In fiscal year 2010, IdahoPTV was partially funded by a General Fund appropriation of \$1,518,800 for personnel and operating costs. The final appropriation also includes the unspent balance of one-time capital funds from the Economic Recovery Fund in the amount of \$184,285, encumbered from the fiscal year 2009 General Fund for FCC mandated conversion to digital television, and the balance in the amount of \$1,057,137 encumbered from fiscal year 2009 for one-time capital. IdahoPTV's total fiscal year 2010 State-funded appropriation, including one-time encumbrances is \$2,760,222.
- In fiscal year 2010, IdahoPTV received a Community Service Grant from the Corporation for Public Broadcasting in the amount of \$1,014,682, along with \$20,238 to help defray some of the interconnection costs.
- The Friends of Idaho Public Television, Inc. made payments of \$4,379,894 to the IdahoPTV Miscellaneous Revenue Fund (0349) during fiscal year 2010, a decrease of \$525,200 from fiscal year 2009.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to IdahoPTV's basic comparative financial statements. IdahoPTV's comparative financial statements comprise three parts: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of IdahoPTV's finances in a manner similar to private sector businesses. These statements include a Statement of Net Assets and a Statement of Activities for IdahoPTV in total. *GASB 34* does not require comparative financial statements; however, IdahoPTV has put them in that format to enhance the quality of information for the users and to fulfill a requirement of the Corporation for Public Broadcasting.

The Statement of Net Assets presents information on assets and liabilities, with the difference reported as net assets. Analyzing increases or decreases in net assets is one way to measure IdahoPTV's overall financial position and may serve as an indicator of whether the financial position of IdahoPTV is improving or deteriorating.

The Statement of Activities shows how IdahoPTV's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in these statements are on an accrual basis, which will result in cash flows for some of those items in future periods.

**Fund Financial Statements.** A fund is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. IdahoPTV uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. IdahoPTV uses one fund type – governmental funds.

Governmental funds are used to account for essentially the same functions as reported in the governmental activities in the government-wide financial statements. However, the governmental fund statements present the different operations of IdahoPTV and provide a short-term view of financial resources that can be used in the near future. Governmental fund information does not report long-term commitments that are reported on the government-wide statements. Reconciliations between the governmental funds and the government-wide statements are included.

IdahoPTV maintains three individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances.

**Notes to the Financial Statements.** The notes to the financial statements provide additional information that is helpful when analyzing data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents budget comparisons for the General Fund and Miscellaneous Revenue Fund to demonstrate compliance with the fiscal year 2010 budget.

The budget is a cash basis budget; the fund financial statements are modified accrual. Reconciliation between the two is completed, and the differences consist mainly of accrued payroll and accounts payable.

Due to statewide funding holdbacks, the original General Fund fiscal year 2010 budget was reduced by \$141,000.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve, over time, as a useful indicator to determine whether a government's financial position is improving or deteriorating. At June 30, 2010, IdahoPTV's assets exceeded liabilities by \$14,652,999, and 16.7% of net assets were unrestricted. Unrestricted assets may be used to meet IdahoPTV's ongoing obligations. The remaining assets are investments in capital assets (e.g., land, building, and equipment) and the Friends of Idaho Public Television, Inc's permanent trust.



**IDAHO PUBLIC TELEVISION – NET ASSETS**

	2009	2010	Percentage Change
Current and Other Assets	\$5,717,323	\$5,843,338	
Capital Assets	<u>9,356,732</u>	<u>9,320,015</u>	
Total Assets	<u>\$15,074,055</u>	<u>\$15,163,353</u>	0.6%
Current Liabilities	\$781,994	\$464,490	
Non-Current Liabilities	<u>3,016</u>	<u>45,864</u>	
Total Liabilities	<u>\$785,010</u>	<u>\$510,354</u>	-35.0%
Net Assets:			
Invested in Capital Assets	\$9,356,732	\$9,320,015	
Restricted	2,873,129	2,892,041	
Unrestricted	<u>2,059,184</u>	<u>2,440,943</u>	
Total Net Assets	<u>\$14,289,045</u>	<u>\$14,652,999</u>	2.5%

Total net assets include \$5,654,004 in the Friends of Idaho Public Television, Inc. Net assets increased 2.5% to \$14,652,999. This is due primarily to the gain on investments during the fiscal year.

**IDAHO PUBLIC TELEVISION – STATEMENT OF ACTIVITIES**

	2009	2010	Percentage Change
REVENUES:			
Program Revenues:			
Charges for Services	\$110,815	\$137,190	
Capital Grants	476,875	64,880	
Operating Grants	<u>37,444</u>	<u>284,830</u>	
Total Program Revenues	\$625,134	\$486,900	-22.1%
General Revenues:			
Appropriations from General Fund	\$3,514,664	\$2,707,630	
Contributions	2,078,975	2,322,822	
Underwriting	845,834	839,072	
Corporate Match	50,016	17,464	
Income on Investments	180,668	112,332	
Restricted Investment Endowment	23,282	18,913	
Net Unrealized and Realized Gains/Losses on Investments	(820,779)	315,590	
Donated Equipment		20,156	
CPB Community Service Grant and Interconnect	957,737	1,014,682	
Unrestricted Grants and Contributions	220,024	279,840	
Gain/Loss on Sale of Equipment	<u>1,708</u>	<u>0</u>	
Total General Revenues	<u>\$7,052,129</u>	<u>\$7,648,501</u>	8.5%
Total Revenues	<u>\$7,677,263</u>	<u>\$8,135,399</u>	6.0%
EXPENSES:			
Programming/Production	\$2,674,843	\$2,472,607	
Broadcasting	2,282,531	2,468,624	
Program Information	605,942	565,288	
Fund Raising/Development	1,159,254	989,538	
Management/General	<u>1,357,352</u>	<u>1,275,389</u>	
Total Expenses	<u>\$8,079,922</u>	<u>\$7,771,446</u>	-3.8%
Increase/(Decrease) in Net Assets	(\$402,659)	\$363,953	
Net Assets Beginning	<u>14,691,705</u>	<u>14,289,046</u>	
Net Assets Ending	<u>\$14,289,046</u>	<u>\$14,652,999</u>	2.5%

IdahoPTV is funded from General Fund revenues, the Corporation for Public Broadcasting Community Service Grant, contributions, and miscellaneous revenue. Miscellaneous revenue is derived from intergovernmental services, services provided to the public and operational grants. The amount of support received from private contributions and State General Funds depends heavily on the overall state of the economy.

IdahoPTV's capital assets include equipment necessary for transmission to five IdahoPTV digital transmitters statewide: KAID-DT Channel 4, Boise; KUID-DT Channel 12, Moscow; KCDT-DT Channel 26, Coeur d'Alene; KISU-DT Channel 10, Pocatello; and KIPT-DT Channel 13, Twin Falls. For signals to reach the transmitters, IdahoPTV utilizes a central master control in its Boise location and transmission equipment located on the Idaho Department of Administration's Statewide Digital Microwave backbone. IdahoPTV met the FCC deadline of May 1, 2003, to convert all of its transmitters to allow digital service in Idaho, reserving all five digital broadcast licenses. IdahoPTV is currently utilizing grants from federal and private sources, as well as State appropriations to upgrade studio and translator equipment into the congressionally mandated digital format.

Other capital assets include three studios with production facilities for editing and broadcasting located in Boise, Moscow, and Pocatello. Assets include equipment for broadcast repair and maintenance, a computer network, office furniture, and 13 vehicles. Depreciation expense for fiscal year 2010 was \$1,345,908. Capital assets on June 30, 2010 totaled \$9,320,015.

## **FINANCIAL ANALYSIS OF IDAHO PUBLIC TELEVISION'S FUNDS**

IdahoPTV accounts for operating activities in three major funds. The major funds are the General Fund, Federal Fund, and the Miscellaneous Revenue Fund.

The General Fund is a primary operating fund for IdahoPTV. It is used to account for the State General Fund appropriation. The fund is used to pay for personnel costs, administrative costs, and to purchase capital assets. The fiscal year 2010 General Fund ending appropriation was \$2,760,222.

The Miscellaneous Revenue Fund is also a primary operating fund for IdahoPTV. This fund receives an annual legislative appropriation of about \$950,000 (\$972,600 in fiscal year 2010) and non-cognizable spending authority to cover additional transfers from the Friends of Idaho Public Television, Inc. of about \$4 million each year (\$3,785,333 in fiscal year 2010). Idaho Code, Section 67-3516(2) allows the Division of Financial Management, with Board of Examiner approval, to increase the spending authority when funds other than State funds become available (i.e., funds that were not known about or the amounts that could not be determined at the time appropriations were made). Money receipted into the Miscellaneous Fund is used to pay personnel costs, programming costs, and general operating costs. The Miscellaneous Revenue Fund balance decreased \$34,317 during fiscal year 2010.

The Federal Fund is used to receive federal grant money and to pay for capital equipment projects. The federal funds are from the U.S. Department of Commerce and the U.S. Department of Agriculture's Rural Utility Service.

STATE OF IDAHO  
IDAHO PUBLIC TELEVISION  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2010

	Total Primary Government	Component Unit	
	Governmental Activities	Friends of IPTV	Total
<b>Assets</b>			
Current:			
Cash and Cash Equivalents	\$115,629	\$1,851,080	\$1,966,709
Investments	0	659,557	659,557
Due from State	20,716	0	20,716
Accounts and Interest Receivable	15,640	6,729	22,369
Contributions Receivable	0	267,247	267,247
Inventories and Prepaid Expenses	14,699	0	14,699
Restricted Assets:			
Cash and Cash Equivalents	0	24,250	24,250
Investments	0	2,857,231	2,857,231
Contributions Receivable - Restricted	0	10,560	10,560
Capital Assets (Net of Accumulated Depreciation)			
Buildings	491,362	0	491,362
Equipment	8,828,653	0	8,828,653
Total Assets	<u>\$9,486,699</u>	<u>\$5,676,654</u>	<u>\$15,163,353</u>
<b>Liabilities</b>			
Payroll and Benefits Payable	\$182,084	\$0	\$182,084
Accounts payable	45,130	0	45,130
Deferred Revenue	0	22,650	22,650
Current Portion of Compensated Absences	214,626	0	214,626
Non-Current:			
Non-Current Portion of Compensated Absences	45,864	0	45,864
Total Liabilities	<u>\$487,704</u>	<u>\$22,650</u>	<u>\$510,354</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	\$9,320,015	\$0	\$9,320,015
Restricted Permanent Trust - Non-Expendable	0	2,892,041	2,892,041
Unrestricted	<u>(321,020)</u>	<u>2,761,963</u>	<u>2,440,943</u>
Total Net Assets	<u>\$8,998,995</u>	<u>\$5,654,004</u>	<u>\$14,652,999</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO  
IDAHO PUBLIC TELEVISION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Friends of IdahoPTV	Total
Primary Government:							
Governmental Activities							
Programming/Production	\$2,469,955	\$32,025	\$44,188	\$0	(\$2,393,742)	\$0	(\$2,393,742)
Broadcasting	2,468,624	49,046	94,895	64,880	(2,259,803)	0	(2,259,803)
Program Information	565,288	0	35,168	0	(530,120)	0	(530,120)
Fund Raising/Development	923,188	53,496	11,444	0	(858,248)	0	(858,248)
Management/General	1,242,568	2,623	99,135	0	(1,140,810)	0	(1,140,810)
Total Primary Government	\$7,669,623	\$137,190	\$284,830	\$64,880	(\$7,182,723)	\$0	(\$7,182,723)
Component Unit:							
Programming/Production	2,652					(2,652)	(2,652)
Fund Raising/Development	66,350					(66,350)	(66,350)
Management/General	32,821					(32,821)	(32,821)
Total Component Units	\$101,823					(\$101,823)	(\$101,823)
General Revenues:							
State Appropriation					2,707,630	0	2,707,630
Corporate Match					0	17,464	17,464
Underwriting					0	839,072	839,072
CSG Grant					0	1,014,682	1,014,682
Grants/Contributions Not Restricted to Specific Programs					0	279,840	279,840
Unrestricted Investment Earnings					0	112,332	112,332
Restricted Foundation Endowment					0	18,913	18,913
Net Increase/(Decrease) in Fair Value of Investments					0	315,590	315,590
Donated Equipment					20,156	0	20,156
Contributions					0	2,322,822	2,322,822
Payments to/(from) Affiliates					4,379,894	(4,379,894)	0
Total Revenues					\$7,107,680	\$540,821	\$7,648,501
Change in Net Assets					(\$75,043)	\$438,998	\$363,955
Net Assets - Beginning					9,074,040	5,215,006	14,289,046
Total Net Assets - Ending					\$8,998,997	\$5,654,004	\$14,653,001

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO  
IDAHO PUBLIC TELEVISION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2010

	General Fund 0001	Miscellaneous Fund 0349	Federal Fund 0348	Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$0	\$14,023	\$101,606	\$115,629
Accounts and Interest Receivable	0	15,640	0	15,640
Due from State	20,716	0	0	20,716
Due from Other Funds	0	0	5,470	5,470
Inventories and Prepaid Expense	0	14,699	0	14,699
Total Assets	<u>\$20,716</u>	<u>\$44,362</u>	<u>\$107,076</u>	<u>\$172,154</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Payroll and Benefits Payable	\$19	\$141,916	\$40,149	\$182,084
Due to Other Funds	0	5,470	0	5,470
Accounts Payable	20,697	24,433	0	45,130
Total Liabilities	<u>\$20,716</u>	<u>\$171,819</u>	<u>\$40,149</u>	<u>\$232,684</u>
Fund Balances				
Reserve for:				
Inventories and Prepaid Expenses	\$0	\$14,699	\$0	\$14,699
Unreserved Reported in:				
Special Revenue	0	(142,156)	66,927	(75,229)
Total Fund Balances	<u>\$0</u>	<u>(\$127,457)</u>	<u>\$66,927</u>	<u>(\$60,530)</u>
Total Liabilities and Fund Balances	<u>\$20,716</u>	<u>\$44,362</u>	<u>\$107,076</u>	<u>\$172,154</u>

RECONCILIATION OF THE GOVERNMENT FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

Total Fund Balances - Governmental Funds	(60,530)
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	9,320,015
Long-term liabilities are not due and payable in the current period, and therefore are not reported in the funds.	(260,489)
Net Assets of Governmental Activities	<u>\$8,998,996</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO  
IDAHO PUBLIC TELEVISION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund 0001	Miscellaneous Fund 0349	Federal Fund 0348	Total
Federal Grants	\$0	\$0	\$105,092	\$105,092
Book and Video Sales	0	54,047	0	54,047
Other Miscellaneous Revenue	0	327,758	0	327,758
Total Revenues	\$0	\$381,805	\$105,092	\$486,897
<b>Expenditures</b>				
Current:				
Programming/Production	\$89,360	\$2,232,293	\$5,479	\$2,327,132
Broadcasting	573,893	714,147	34,835	1,322,875
Program Information	0	568,950	(1,121)	567,829
Fund Raising/Development	0	921,633	0	921,633
Management/General	839,474	321,710	18,281	1,179,465
Capital Outlay	1,204,903	37,283	46,848	1,289,034
Total Expenditures	\$2,707,630	\$4,796,016	\$104,322	\$7,607,968
Revenues Over (Under) Expenditures:	(\$2,707,630)	(\$4,414,211)	\$770	(\$7,121,071)
<b>Other Financing Sources (Uses)</b>				
State General Fund Appropriation	\$2,707,630	\$0	\$0	\$2,707,630
Payments from Affiliates	0	4,379,894	0	4,379,894
Total Other Financing Sources	\$2,707,630	\$4,379,894	\$0	\$7,087,524
Net Change in Fund Balances	\$0	(\$34,317)	\$770	(\$33,547)
Fund Balances - Beginning	0	(93,140)	66,157	(26,983)
Fund Balances Ending	\$0	(\$127,457)	\$66,927	(\$60,530)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURE  
AND CHANGES IN FUND BALANCES

Net Change in Fund Balances - Total Governmental Funds (33,547)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$1,345,908) exceeded capital outlays (\$1,289,035) in the current period. (56,873)

Donated Equipment 20,156

The difference between modified and full accrual accounting requires an adjustment for the differences in compensated absences from one year to the next. (4,782)

Change in Net Assets of Governmental Activities (75,046)

The accompanying notes are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Idaho Public Television (IdahoPTV) conform to the Corporation for Public Broadcasting, as applicable to public broadcasting stations. IdahoPTV's financial statements have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to government units. The following is a summary of the more significant policies.

### REPORTING ENTITY

IdahoPTV is a State agency. In determining how to define IdahoPTV for financial reporting purposes, management has considered the potential component unit, Friends of Idaho Public Television, Inc., in accordance with *GASB Statements* 14 and 39. The primary entity is IdahoPTV, which includes a central management staff, three staffed stations (KAID, KISU, KUID), and an interconnection system among the five public television transmitters in Idaho (KAID-DT, KISU-DT, KUID-DT, KIPT-DT, and KCDT-DT).

The Friends of Idaho Public Television, Inc. is the component unit of IdahoPTV. The component unit is reported in a separate column in the government-wide statements to emphasize that it is legally separate from IdahoPTV; however, IdahoPTV is able to impose its will upon this component unit. The Federal Communications Commission (FCC) allows on-air fund raising conducted for a Friends group but with a significant restriction that all support goes to the licensee. The component unit is not included in the fund statements. The fund statements consist of governmental funds.

The Friends of Idaho Public Television, Inc., is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code.

IdahoPTV contributes to the multi-employer Public Employee Retirement System of Idaho (PERSI). PERSI is administered by the State of Idaho and IdahoPTV is not the major participant in the plan; therefore, the plan's financial statements are not included in this report.

### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all IdahoPTV activities and its discretely presented component unit. Within the government-wide financial statements, all of IdahoPTV's activities are reported as governmental activities. These activities are financed primarily through General Fund appropriations and contributions from the Friends organization.

The Statement of Net Assets presents IdahoPTV's assets and liabilities with the difference reported as net assets. Net assets are reported in three categories:

1. Investments in capital assets are the net of accumulated depreciation reduced by any outstanding debt.
2. Restricted net assets result when constraints are externally imposed by contributors, by law, or by enabling legislation on how the assets can be used.
3. Unrestricted net assets are those not meeting the definition of the two preceding categories. Often, these have resource constraints imposed by management that can be removed or modified.

The Statement of Activities shows the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include fees and charges paid by recipients of goods or services offered by the program. Appropriations, contributions, and other items not meeting the definition of program revenues are reported as general revenue.

The fund financial statements are separate statements provided for each of IdahoPTV's funds; each fund is reported in a separate column. IdahoPTV has three major funds as described below:

#### General Fund

This fund is used to account for financial resources from State appropriations. The General Fund is the primary source used to pay the costs of administration, transmission, personnel, capital outlay, and operations of IdahoPTV.

#### Miscellaneous Fund

This is IdahoPTV's primary operating fund. It accounts for money received from the Corporation for Public Broadcasting, video sales, and transfers from the Friends of Idaho Television, Inc. organization to the State. These funds are used to pay personnel costs, programming costs, and general operating costs.

#### Federal Fund

This fund is the major fund used to receive federal grant money and to pay for capital equipment projects. The two major grants are from the U.S. Department of Commerce National Telecommunications Information Agency and Public Telecommunications Facilities Program and the U.S. Department of Agriculture, Rural Utilities Service.

### **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. All assets and liabilities are presented on the Statement of Net Assets. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Under governmental fund accounting, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when measurable and available. IdahoPTV considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Funds from the sale of services, books, and videos, as well as any interest may be accrued. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental funds.

### **ASSETS, LIABILITIES, AND NET ASSETS**

#### Cash and Cash Equivalents

IdahoPTV's primary governmental fund cash and cash equivalents are considered to be cash on hand and are on deposit with the State Treasurer's Office. The cash and cash equivalents identified for the component unit are cash in checking and savings accounts, money market accounts, and petty cash.



#### Investments

Investments are reported at fair value. Additional disclosure is identified in Note 2.

#### Accounts/Interest/Contributions Receivable and Receivable Due from State

The majority of receivables are contributions and interest. The receivable from the State is the amount remaining in the General Fund appropriation to pay current outstanding liabilities.

#### Inventories and Prepaid Expenses

Inventories are valued at cost, primarily using the first-in, first-out method. Both inventories and prepaid expenses are reported under the consumption method.

#### Restricted Assets

Certain receipts are classified as permanently restricted assets under the Friends of Idaho Public Television Inc., a component unit. This restriction results from donor-imposed restrictions that require the resources to be permanently maintained; however, IdahoPTV may expend all or part of the income or other economic benefits derived from the donated assets.

#### Capital Assets

Capital assets are reported at cost or, if the assets are donated, at the market value on the date of the donation. Only capital assets valued at \$5,000 or more are capitalized. Depreciation is recorded using the straight-line method. The value of each asset is reduced by equal amounts over its estimated useful life as follows:

	Estimated Useful Life (Years)
Equipment	5-30
Building Improvements	15-40

Maintenance repairs and minor remodels are charged as operating expenses when incurred. When an asset is disposed of, accumulated depreciation is deducted from the original cost and any gain or loss arising from its disposal is credited or charged to operations.

Additional disclosures related to capital assets are provided in Note 7.

#### Accounts Payable

Payables in the government-wide financial statements consist primarily of short-term vendor obligations.

#### Other Liabilities

Other liabilities consist of payroll and benefits payable.

Government-wide financial statements report long-term obligations as liabilities, with the portion payable within 12 months designated separately from the portion payable in more than 12 months. Long-term liabilities include compensated absences payable, which includes vacation and compensatory time earned by employees but not paid.

#### Deferred Revenue

Deferred revenue is recognized when revenue is received prior to being earned. In the governmental fund statements, deferred revenue is also recognized when revenue is earned but not available.

#### Net Assets

Net assets include investments in capital assets net of related debt. Restricted assets are assets whose use is restricted by grantors, contributors, laws, or regulations. Unrestricted assets are assets that do not fall under the previous two categories.

#### **REVENUES AND EXPENDITURES/EXPENSES**

In the government-wide statement of activities, revenues and expenses are segregated by activity (government or component unit) and by function (programming/production, broadcasting, etc.). Additionally, revenues are classified as program or general revenues. Program revenues include charges to customers or applicants for goods, services, or privileges provided and certain grants and contributions. General revenues include General Fund appropriation, investment earnings, and general grants. In the government-wide statement of activities, all internal transfers (to/from) are eliminated. These are shown in the fund statements.

In the governmental fund financial statements, revenues are reported by source. These revenues are available to fund any activity accounted for in the fund.

In the governmental fund financial statements, expenditures are reported by function. Capital outlay expenditures were for equipment primarily related to the conversion to digital television. A more in depth breakout of capital expenditures is shown in Note 7.

#### Financing Sources (Uses)

The additions to governmental fund balances in the fund financial statements include IdahoPTV's General Fund appropriation and payments from the discretely presented component unit.

#### Variances in Statements and Notes

Amounts may differ in schedules and notes due to rounding.

#### **NOTE 2. CASH AND INVESTMENTS**

##### Deposits

*GASB Statement No. 40* requires certain disclosures regarding policies and practices with respect to investments and the risks associated with them.

IdahoPTV follows policies and procedures of its governing board, the State Board of Education.

##### Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, IdahoPTV's deposits may not be returned.

Friends of Idaho Public Television, Inc. has an investment policy for custodial credit risk covering the endowment funds. This policy allows for cash investments in CDs, U.S. Government securities, and money market funds. There is no other investment policy outside of the endowment funds.

As of June 30, 2010, \$1,157,375 of IdahoPTV's bank balance of \$1,990,959 was exposed to uninsured and uncollateralized custodial credit risk. The entire amount of custodial credit risk was in the component unit. Of the \$1,157,375 subject to custodial credit risk, \$0 was endowment funds.

### Credit Quality Ratings

At June 30, 2010, IdahoPTV had the following credit quality ratings:

	Fair Market Value	Aaa	Aa2	Aa3	A1	A2	A3	Baa1	Unrated
Mutual Funds	\$384,038	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$384,038
Corporate Debt Inst.	447,189	0	100,559	27,603	81,667	143,169	69,317	24,874	0
US Govt. Obligation	664,028	664,028	0	0	0	0	0	0	0
Total	\$1,495,255	\$664,028	\$100,559	\$27,603	\$81,667	\$143,169	\$69,317	\$24,874	\$384,038

### Concentration of Credit Risk

IdahoPTV has no reportable concentration of credit risk, which represents 5% of its total portfolio.

### Interest Rate Risk

The following table represents IdahoPTV's investment maturities at June 30, 2010:

Investment Type	<u>Segmented Time Distribution</u>				
	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	Over 10 Yrs/ Open Ended
Mutual Funds	\$384,038	\$0	\$0	\$0	\$384,038
Corporate Debt Instruments	447,189	24,874	311,894	110,421	0
US Government Obligations	664,028	0	108,417	291,148	264,463
Total Rated Debt Securities	\$1,495,255	\$24,874	\$420,311	\$401,569	\$648,501

### Donor Restricted Assets

IdahoPTV holds donor restricted assets consisting of investments with a fair value of \$ 2,857,231 (as of June 30, 2010) and cash and cash equivalents of \$ 24,250. Investments are held in the name of the Friends of Idaho Public Television, Inc. The Friends of Idaho Public Television, Inc. Board is an advisory board and authorizes the amount of net appreciation that IdahoPTV can spend. IdahoPTV determines the purpose of the expenditures. The donor restricted assets are reported as restricted permanent trust non-expendable net assets.

### **NOTE 3. COMPENSATED ABSENCES**

State of Idaho employee benefits include vacation and sick leave allowances. Overtime may be earned under provisions of the Fair Labor Standards Act and Idaho law. Overtime is commonly referred to as "compensatory time" or "comp time" since employees may take time off for the accrued overtime. For purposes of earning and accruing overtime, there are three general classes of employees:

1. Those earning overtime at 1.5 times regular pay rates and who may be paid for the overtime or take time off.
2. Those earning overtime at their regular pay rate and who may only take time off.
3. Those ineligible for overtime.

Upon termination, the following accrued leave balances are paid:

1. Vacation leave
2. Overtime for those eligible for payment

Shown below is the total value of leave that has been accrued by IdahoPTV employees as of June 30, 2010. These amounts are accrued in the government-wide financial statements when the benefits are incurred. A liability for the amount is reported in the governmental funds only if it has matured, for example, as a result of employee resignation or retirement.

	Hours Accrued	Due in 1 Year	Due in More than 1 Year	Total Value
Vacation	10,543	\$199,795	\$42,695	\$242,490
Compensatory Time	805	14,830	3,169	17,999
Total	\$11,348	\$214,626	\$45,864	\$260,489

Changes in Compensated Absences:

	Hours	Amount
Beginning Balance	11,210	\$255,708
Increases	9,507	208,783
Decreases	(9,369)	(204,002)
Total	11,348	\$260,489

**NOTE 4. PENSION PLAN**

The Public Employee Retirement System of Idaho (PERSI), a cost-sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. Designed as a mandatory system for eligible State and school district employees, the legislation provided for political subdivisions to participate by contractual agreement. Financial reports for the plan are available from PERSI.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits when they reach the age specified by their employment classification. For each year of credited service, the annual service retirement allowance is 2.0% or 2.3% (depending on employee classification) of the average monthly salary for the highest consecutive 42 months.

For the year ended June 30, 2010, the required contribution rates were 10.39% (employer) and 6.23% (employee). IdahoPTV's contributions required and paid were \$251,785, \$261,031, and \$258,868 for the three years ended June 30, 2008, 2009 and 2010, respectively.

The PERSI Choice Plan is the State's defined contribution retirement plan. Statutes governing the PERSI Choice Plan are found in Idaho Code, Title 59, Chapter 13. Participants direct their own investment mix without restriction and may elect to change their deferral every pay period.

**NOTE 5. OTHER POST-EMPLOYMENT BENEFITS**

The State funds, or partially funds, post-employment benefits relating to health, disability, and life insurance. IdahoPTV participates in the State of Idaho's post-employment benefit programs. The State administers the retiree health care plan which allows retirees to purchase health care insurance coverage for themselves and eligible dependents. The State provides long-term disability income benefits for active employees who become disabled, generally up to a maximum age of 70. The State provides basic life and dependent life coverage for disabled employees, generally up to a maximum age of 70. For up to 30 months following the date of disability, an employee is entitled to continue health care coverage. Benefit costs are paid by IdahoPTV through a rate charged by the State. The primary government is reporting the liability for the retiree health care and long-term disability benefits. Specific details of these post-

employment benefits are available in the statewide *Comprehensive Annual Financial Report (CAFR)*, which may be obtained by contacting the Office of the State Controller or from its website.

#### NOTE 6. COMMUNITY SERVICE GRANTS

The Corporation for Public Broadcasting (CPB) is a private, nonprofit, grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSG's) to qualifying public telecommunications entities. CSG's are used to augment the financial resources of public broadcasting stations, thereby enhancing the quality of programming and expanding the scope of public broadcasting services. Each CSG may be expended during one or two federal fiscal years as described in the *Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement*. Each grant must be expended within two years of the initial grant authorization. These grants are not considered federal grants.

According to the Communications Act, funds may be used at the recipient's discretion. Public broadcasters use these funds primarily to transmit, produce, and acquire programming for the purposes of public broadcasting. The grants also may be used to sustain activities that were started with CSG's awarded in prior years.

The grants are reported on the accompanying financial statements as unrestricted operating funds. However, to maintain eligibility and to comply with requirements, certain guidelines must be satisfied when applying for and using the grants. These guidelines pertain to the use of grant funds, record keeping, audits, financial reporting, and licensee status with the FCC.

The CSG's received and expended during the most recent fiscal years were:

Grant Year	Grant Amount	Disbursed		Balance
		FY 2009	FY 2010	
10/1/08-9/30/10	\$957,737	\$128,144	\$829,593	\$0
10/1/09-9/30/11	1,014,682	0	143,007	871,675

#### NOTE 7. CHANGES IN PROPERTY AND EQUIPMENT

Capital assets, which include property and equipment, are reported at cost when purchased or constructed. If acquired by gift, they are recognized at the estimated fair market value at the date of the gift. Expenses for repairs or maintenance are charged to operating expenses as incurred.

A summary of recorded changes in property and equipment follows:

	Balances 6/30/2009	Additions	Deletions	Balances 6/30/2010
<b>Assets</b>				
Studio	\$7,781,347	\$26,490	(\$444,381)	\$7,363,456
Transmission	15,338,191	1,245,417	(193,120)	16,390,488
Vehicles	414,856	0	0	414,856
Furniture/Fixtures	242,925	37,284	(14,730)	265,479
Building Improvements	753,222	0	0	753,222
Total Assets	\$24,530,541	\$1,309,191	(\$652,231)	\$25,187,501
<b>Accumulated Depreciation</b>				
Studio	(\$4,702,326)	(\$396,587)	\$444,381	(\$4,654,532)
Transmission	(9,817,335)	(857,460)	193,120	(10,481,675)
Vehicles	(228,439)	(38,148)	0	(266,587)
Furniture/Fixtures	(196,355)	(26,127)	14,730	(207,752)
Building Improvements	(229,355)	(27,586)	0	(256,941)
Total Accumulated Depreciation	(\$15,173,810)	(\$1,345,908)	\$652,231	(\$15,867,487)
<b>Net Assets</b>	<b>\$9,356,731</b>	<b>(\$36,717)</b>	<b>\$0</b>	<b>\$9,320,014</b>

Function	Fiscal Year 2010 Depreciation
Programming/Production	\$115,060
Broadcasting Program Information	1,203,081
Fund Raising/Development	1,138
Management/General	26,629
Total	<u>\$1,345,908</u>

The federal interest period is the period of time during which the federal government retains a reversionary interest in all facilities constructed with federal grant funds. This period begins with the purchase of the facilities and continues for ten years after the official completion date of the project. Although *OMB Circular A-110*, sections 33 and 34 (58 FR 62992, Nov. 29, 1993) and 15 CFR, sections 24.31 and 24.32, specify that the federal government maintains a reversionary interest in the facilities for as long as the facilities are needed for the originally authorized purpose, Public Telecommunications Facilities Program's authorizing statute (47 U.S.C. 392(g)) limits the reversionary period to ten years for purposes of this program. However, federal constitutional limitations on the use of the facilities survive for the useful life of the facilities, whether or not this period extends beyond the ten-year federal interest period.

Idaho Public Television has federal reversionary interest on certain assets related to corresponding federal grants. Total book value of fixed assets at June 30, 2010 is \$9,320,015; total reversionary interest on federal awards is \$4,188,788, or 44.9% of the total book value affixed assets.

## NOTE 8. LEASES

IdahoPTV is committed to the following ongoing operating leases:

- Orchard Partners for the main office in Boise and the media room; total lease expense for fiscal year 2010 was \$368,706.
- Thomas V. Faerber for the McCann Property site; total lease expense for fiscal year 2010 was \$2,500.

- McCann Land Co., total for Tower Site Lease fiscal year 2010 was \$500.
- King Broadcasting for the Deer Point Tower site; total lease expense for fiscal year 2010 was \$9,600.
- Riverview Industrial Park Chinden for storage space; total lease expense for fiscal year 2010 was \$9,060.
- Idaho Power for pole leases; the lease expense for fiscal year 2010 was \$4,230.
- Citizens Telecommunications Co. for No Business Mountain site lease, total for fiscal year 2010 was \$7,623.
- Dollar Rent-A-Car for van lease, total expenses for fiscal year 2010 was \$3,973.
- Frandsen/Sand Hill Media for Menan Butte Site lease, total lease expense for fiscal year 2010 was \$4,800.
- Xerox Corporation for copier lease - total expenses for fiscal year 2010 was \$2,321.
- Ricoh Americas Corp for copier lease – total expenses for fiscal year 2010 was \$1,111.
- Thomas V. Faerber for the Lewiston Hill Microwave Site; total lease expense for fiscal year 2010 was \$1,500.
- Idaho Department of Lands lease expense for fiscal year 2010 was \$4,093.
- State of Idaho Military Division, for mountain top radios and sites for fiscal year 2010 was \$13,200.

Future minimum lease payments are summarized below:

Lease	Amount
Fiscal Year 2011	\$395,803
Fiscal Year 2012	392,276
Fiscal Year 2013	394,067
Fiscal Year 2014	3,000
Fiscal Year 2015	3,000
Thereafter	0
Total Payments	<u>\$1,188,146</u>

## NOTE 9. IN-KIND CONTRIBUTIONS

In-kind contributions used for fund-raising are not eligible for matching funds in the Annual Financial Report completed for the CPB's Community Service Grant. In-kind donations that are eligible are included in this report for the benefit of the CPB and the reader of this report. In-kind contributions consist of services from donors toward production and broadcasting activities, as well as other types of support. The values of the contributions are shown below and are only reported in this section, not the financial statements.

Donations classified as communication and administration include donated services, donated space, and statewide allocated costs. Development in-kind values consist of vendor trade-outs not directly associated with fundraising. Following are valuations of donated contributions in fiscal year 2010.

In-Kind Contributions	
Development	\$64,611
Communications	49,754
Administration	145,760
Total	<u>\$260,125</u>

#### NOTE 10. FEDERAL GRANTS

During fiscal year 2010, IdahoPTV received federal grants from the U.S. Department of Commerce and the U.S. Department of Agriculture.

The grants from the U.S. Department of Commerce were for the National Telecommunications and Information Administration/Public Telecommunications Facilities Program (NTIA/PTFP) (CFDA 11.550) grants for fiscal year 2010. The funds will be used to purchase fill-in translators, a KAID generator and digital master control conversion.

The grant from the U.S. Department of Agriculture was the Rural Utilities Service (RUS) (CFDA 10.861). The funds used to continue upgrading existing translator sites to digital.

The activity during the fiscal year for these grants is summarized below:

Grant	Award Amount	FY 2010 Received	FY 2010 Disbursed
NTIA/PTFP –FY10	\$363,037	\$0	\$0
NTIA/PTFP –FY10	800,000	0	0
RUS - FY10	481,770	414	414
RUS – FY07	308,512	64,880	64,880

The Single Audit requirement will be accomplished by completion of the statewide *2010 Single Audit Report*.



## REQUIRED SUPPLEMENTARY INFORMATION

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STATE OF IDAHO  
IDAHO PUBLIC TELEVISION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND AND MAJOR SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2010

GENERAL FUND BUDGET AND ACTUAL

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/(Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Personnel	\$956,100	\$831,600	\$831,600	\$0
Operating	703,700	687,200	687,200	0
Capital	<u>1,241,422</u>	<u>1,241,422</u>	<u>1,241,422</u>	<u>0</u>
Total Expenditures	<u>\$2,901,222</u>	<u>\$2,760,222</u>	<u>\$2,760,222</u>	<u>\$0</u>
Reconciliation to GAAP basis expenditures:				
Decrease in Payroll Payable			(\$40,831)	
Decrease in Accounts Payable			<u>(11,761)</u>	
Total GAAP Expenditures			<u>\$2,707,630</u>	

MAJOR MISCELLANEOUS FUND BUDGET AND ACTUAL

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/(Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Personnel	\$962,600	\$2,839,781	\$2,767,635	\$72,146
Operating	10,000	2,619,875	1,919,604	700,271
Capital	<u>0</u>	<u>1,087,500</u>	<u>70,694</u>	<u>1,016,806</u>
Total Expenditures	<u>\$972,600</u>	<u>\$6,547,156</u>	<u>\$4,757,933</u>	<u>\$1,789,223</u>
Reconciliation to GAAP basis expenditures:				
Increase in Payroll Payable			\$22,425	
Increase in Accounts Payable			3,355	
Ancillary Inventory Adjustment			12,156	
Change in Prepaid Expenses			<u>147</u>	
Total GAAP Expenditures			<u>\$4,796,016</u>	

MAJOR FEDERAL FUND BUDGET AND ACTUAL

	Budgeted Amounts		Actual Amounts	Variance w/ Final Budget Positive/(Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Personnel	\$0	\$0	\$0	\$0
Operating	0	46,700	0	46,700
Capital	<u>0</u>	<u>2,057,380</u>	<u>65,294</u>	<u>1,992,086</u>
Total Expenditures	<u>\$0</u>	<u>\$2,104,080</u>	<u>\$65,294</u>	<u>\$2,038,786</u>
Reconciliation to GAAP basis expenditures:				
Decrease in Accounts Payable			(\$1,121)	
Increase in Payroll Payable			<u>40,149</u>	
Total GAAP Expenditures			<u>\$104,322</u>	

# NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

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## **BUDGETARY BASIS OF ACCOUNTING**

IdahoPTV's legal budget is prepared using cash basis records. Encumbrances are allowed for budgetary control purposes. Revenues are generally recognized when cash is received, and expenditures are recorded when the related cash disbursement occurs. The Budgetary Comparison Schedule is prepared on the budgetary basis and includes this variation from GAAP. The reconciliations at the bottom of each section of the budget and actual statement shows the difference between the budgetary basis and GAAP.

Additional budgeted funds are non-cognizable funds that IdahoPTV transfers to the State from its Friends' account.

## SUPPLEMENTARY INFORMATION INCLUDED FOR COMPARISON PURPOSES

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Fiscal year 2009 statements are included for comparative purposes, as required by the Corporation for Public Broadcasting.

STATE OF IDAHO  
IDAHO PUBLIC TELEVISION  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2009

	Total Primary Governmental Activities	Component Unit Friends of IdahoPTV	Total
ASSETS			
Current:			
Cash and Cash Equivalents	\$79,003	\$2,138,304	\$2,217,307
Investments	0	258,343	258,343
Due from State	73,307	0	73,307
Accounts and Interest Receivable	8,655	5,883	14,538
Contributions Receivable	0	253,696	253,696
Inventories and Prepaid Expense	27,003	0	27,003
Restricted Assets:			
Cash and Cash Equivalents	0	59,774	59,774
Investments	0	2,802,295	2,802,295
Contributions Receivable - Restricted	0	11,060	11,060
Capital Assets (net of accumulated depreciation):			
Buildings	518,948	0	518,948
Equipment	8,837,784	0	8,837,784
Total Assets	<u>\$9,544,700</u>	<u>\$5,529,355</u>	<u>\$15,074,055</u>
LIABILITIES			
Payroll and Benefits Payable	\$160,341	\$0	\$160,341
Accounts Payable	54,611	0	54,611
Deferred Revenue	0	314,350	314,350
Current Portion of Compensated Absences	252,692	0	252,692
Non-Current:			
Non-Current Portion of Compensated Absences	3,016	0	3,016
Total Liabilities	<u>\$470,660</u>	<u>\$314,350</u>	<u>\$785,010</u>
NET ASSETS			
Investment in Capital Assets (net of related debt)	\$9,356,732	\$0	\$9,356,732
Restricted Permanent Trust - Non-Expendible	0	2,873,129	2,873,129
Unrestricted	(282,692)	2,341,876	2,059,184
Total Net Assets	<u>\$9,074,040</u>	<u>\$5,215,005</u>	<u>\$14,289,045</u>

STATE OF IDAHO  
IDAHO PUBLIC TELEVISION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Friends of IdahoPTV	
<b>Primary Government:</b>							
Governmental Activities							
Programming/Production	\$2,667,483	\$2,700	\$17,677	\$0	(\$2,647,106)		(\$2,647,106)
Broadcasting	2,280,021	28,250	7,900	476,875	(1,766,996)		(1,766,996)
Program Information	605,214	0	0	0	(605,214)		(605,214)
Fund Raising/Development	1,113,445	77,038	11,065	0	(1,025,342)		(1,025,342)
Management/General	1,308,687	2,827	802	0	(1,305,058)		(1,305,058)
Total Primary Government	\$7,974,850	\$110,815	\$37,444	\$476,875	(\$7,349,716)		(\$7,349,716)
<b>Component Unit:</b>							
Programming/Production	7,360	0	0	0		(\$7,360)	(7,360)
Broadcasting	2,510	0	0	0		(2,510)	(2,510)
Program Information	728	0	0	0		(728)	(728)
Fund Raising/Development	45,809	0	0	0		(45,809)	(45,809)
Management/General	48,665	0	0	0		(48,665)	(48,665)
Total Component Unit	\$105,072	\$0	\$0	\$0		(\$105,072)	(\$105,072)
<b>General Revenues:</b>							
State Appropriation					3,514,664	0	3,514,664
Contributions					0	2,078,975	2,078,975
Corporate Match					0	50,016	50,016
Underwriting					0	845,834	845,834
CSG Grant					0	957,737	957,737
Grants/Contributions Not Restricted to Specific Programs					0	220,024	220,024
Unrestricted Investment Earnings					0	180,668	180,668
Restricted Foundation Endowment					0	23,282	23,282
Net Increase/(Decrease) in Fair Value of Investments					0	(820,779)	(820,779)
Gain on Sale of Equipment					1,708	0	1,708
Payments to/(from) Affiliates					4,905,094	(4,905,094)	0
Total Revenues					\$8,421,466	(\$1,369,337)	\$7,052,129
Change in Net Assets					\$1,071,750	(\$1,474,409)	(\$402,659)
Net Assets - Beginning					8,002,290	6,689,415	\$14,691,705
Total Net Assets - Ending					\$9,074,040	\$5,215,006	\$14,289,046

STATE OF IDAHO  
IDAHO PUBLIC TELEVISION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2009

	General Fund 0001/0150	Miscellaneous Fund 0349	Federal Fund 0348	Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$0	\$17,609	\$61,394	\$79,003
Accounts and Interest Receivable	0	8,655	0	8,655
Due from State	73,307	0	0	73,307
Due from Other Funds	0	0	5,883	5,883
Inventories and Prepaid Expense	0	27,003	0	27,003
Total Assets	<u>\$73,307</u>	<u>\$53,267</u>	<u>\$67,277</u>	<u>\$193,851</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Payroll and Benefits Payable	\$40,850	\$119,491	\$0	\$160,341
Due to Other Funds	0	5,883	0	5,883
Accounts Payable	32,457	21,033	1,121	54,611
Total Liabilities	<u>\$73,307</u>	<u>\$146,407</u>	<u>\$1,121</u>	<u>\$220,835</u>
<b>Fund Balances</b>				
Reserve for:				
Inventories and Prepaid Expenses	\$0	\$27,003	\$0	\$27,003
Unreserved Reported in:				
Special Revenue	0	(120,143)	66,156	(53,987)
Total Fund Balances	<u>\$0</u>	<u>(\$93,140)</u>	<u>\$66,156</u>	<u>(26,984)</u>
Total Liabilities and Fund Balances	<u>\$73,307</u>	<u>\$53,267</u>	<u>\$67,277</u>	<u>\$193,851</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

Total Fund Balances - Governmental Funds	(\$26,984)
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,356,732
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	(255,708)
Net Assets of Governmental Activities	<u>\$9,074,040</u>

STATE OF IDAHO  
IDAHO PUBLIC TELEVISION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund 0001/0150	Miscellaneous Fund 0349	Federal Fund 0348	Total
<b>Revenues</b>				
Federal Grants	\$0	\$0	\$476,875	\$476,875
Book and Video Sales	0	75,782	0	75,782
Other Miscellaneous Revenue	0	79,881	0	79,881
Total Revenues	\$0	\$155,663	\$476,875	\$632,538
<b>Expenditures</b>				
Current:				
Programming/Production	\$210,491	\$2,375,521	\$0	\$2,586,012
Broadcasting	672,117	586,633	10,645	1,269,395
Program Information	0	604,190	1,121	605,311
Fund Raising/Development	0	1,106,583	0	1,106,583
Management/General	876,527	410,695	0	1,287,222
Capital Outlay	1,755,529	165,387	298,324	2,219,240
Total Expenditures	\$3,514,664	\$5,249,009	\$310,090	\$9,073,763
Revenues over (under) Expenditures:	(\$3,514,664)	(\$5,093,346)	\$166,785	(\$8,441,225)
<b>Other Financing Sources (Uses)</b>				
State General Fund Appropriation	\$2,762,242	\$0	\$0	\$2,762,242
State Dedicated Fund Appropriation	752,422	0	0	752,422
Payments from Affiliates	0	4,905,094	0	4,905,094
Total Other Financing Sources	\$3,514,664	\$4,905,094	\$0	\$8,419,758
Net Change in Fund Balances	\$0	(\$188,252)	\$166,785	(\$21,467)
Fund Balances - Beginning	0	95,112	(100,628)	(5,516)
Fund Balances Ending	\$0	(\$93,140)	\$66,157	(\$26,983)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net Change in Fund Balances - Total Governmental Funds (21,467)

Amounts reported for governmental activities in the statement of activities are different because:

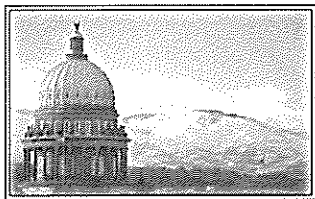
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$2,219,241) exceeded depreciation (\$1,118,795) in the current period. 1,100,446

The net effect of the disposal of capital assets is to decrease net assets. (5,696)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This requires an adjustment for compensated absences. (1,533)

Change in Net Assets of Governmental Activities 1,071,750





# Legislative Services Office Idaho State Legislature

*Serving Idaho's Citizen Legislature*

Jeff Youtz  
Director

November 29, 2010

Independent Auditor's Report on Internal Control over  
Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

Peter Morrill, General Manager  
Idaho Public Television  
1455 North Orchard Street  
Boise, ID 83720-0037

Richard Westerberg, President  
Idaho State Board of Education  
650 West State Street, Room 307  
Boise, ID 83720

Dear Mr. Morrill and Mr. Westerberg:

We have audited the financial statements of the governmental activities, the discretely presented component unit, and each major fund for Idaho Public Television (IdahoPTV) as of and for the year ended June 30, 2010, which collectively comprise IdahoPTV's basic financial statements and have issued our report thereon dated November 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the IdahoPTV's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IdahoPTV's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of IdahoPTV's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the finding on page 30 to be a significant deficiency in internal control over financial reporting, as defined above.

Mike Nugent, Manager  
Research & Legislation

Cathy Holland-Smith, Manager 28 Don H. Berg, Manager  
Budget & Policy Analysis Legislative Audits

Glenn Harris, Manager  
Information Technology

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

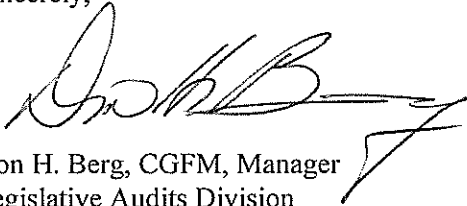
#### Compliance and Other Matters

As part of obtaining reasonable assurance as to whether IdahoPTV's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to the management of IdahoPTV in a separate letter.

This report is intended solely for the information and use of the State of Idaho, IdahoPTV, and the State Department of Education and is not intended to be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read 'Don H. Berg', with a stylized flourish extending from the end of the signature.

Don H. Berg, CGFM, Manager  
Legislative Audits Division

# FINDING AND RECOMMENDATION

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## FINDING 1

Internal control weaknesses exist in the process of preparing financial statement notes.

Financial statement notes are essential to provide a complete and accurate presentation in accordance with generally accepted accounting standards. A review process is in place, which includes reviews of the financial statement notes by several staff at multiple levels. However, generally accepted accounting standards are continually changing and efforts must be made to ensure that new standards are implemented as required. Although a note disclosure for Other Post-Employment Benefits (OPEB) is required for IdahoPTV starting in fiscal year 2010, the note was omitted in the financial statement given to the auditors. The final report has been adjusted to include the OPEB note and as required by auditing standards, we are identifying this omission as an internal control weakness.

## RECOMMENDATION

**We recommend that Idaho Public Television make every effort to research and implement new accounting standards as required.**

### AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

Our corrective action plan will be implemented beginning with FY2011 as follows:

1. We will include the new note in future reporting periods per GASB Statement 50.
2. Drafts of the note disclosures will continue to be reviewed in detail by the fiscal officer for both accuracy and completeness.
3. We understand that the SCO will actively communicate with agencies prior to financial reporting. We will also actively communicate with the SCO prior to finalizing our financial reports to inquire about any new requirements, for the then current reporting period, that were not listed as part of the closing packages.

## AGENCY RESPONSE

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**IDAHO PUBLIC  
TELEVISION**  
idahoptv.org

Making a better world by  
inspiring, enriching, and educating  
the people we serve.

1455 North Orchard Street Boise ID 83706  
FAX: (208) 373-7245 **(208) 373-7220**

November 29, 2010

Mr. Gene Sparks, CPA  
Managing Auditor  
Legislative Auditor's Office  
Statehouse Mail  
Boise, ID 83720

Dear Mr. Sparks:

Below please find our Agency Response to the audit of Idaho Public Television for fiscal year 2010.

The single finding in this year's audit recognized that internal control weakness exists in the process for preparing the notes to financial statements. An error in the financial statement notes was identified and corrected in the course of the audit.

The error was in neglecting to include a new note disclosure requirement for "Other Post-Employment Benefits" per GASB Statement 50. It was our understanding from earlier communication from the State Controller's Office (SCO) that this reporting requirement would be fulfilled on the state's Consolidated Annual Financial Report (CAFR) and not within our notes. After discussing the issue with SCO during our audit, we learned that we needed to add language to our financial notes explaining the benefits and refer to the CAFR for details. Subsequently, SCO has assisted other agencies with this note disclosure to ensure compliance with the new GASB statement.

Our corrective action plan will be implemented beginning with FY2011 as follows:

1. We will include the new note in future reporting periods per GASB Statement 50.
2. Drafts of the note disclosures will continue to be reviewed in detail by the fiscal officer for both accuracy and completeness.
3. We understand that SCO will actively communicate with agencies prior to financial reporting. We will also actively communicate with SCO prior to finalizing our financial reports to inquire about any new requirements, for the then current reporting period, that were not listed as part of the closing packages.

I am confident the above changes will strengthen our process to ensure compliance and accuracy for future audits.

We appreciate the thoroughness and responsiveness of this year's audit team, Kathleen Watkins, Mark Schoenfeld, and Brinton Croff.

Very truly yours,

Peter W. Morrill  
General Manager

# APPENDIX

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## **HISTORY**

Idaho Public Television (IdahoPTV) was established in the Senate Bill 1476, by the Idaho State Board of Education, to provide administrative, operational, and programming expertise to the management and staff of Idaho's public television stations. The stations, located in Boise (KAID and KAID-DT, direct television), Pocatello (KISU and KISU-DT), Moscow (KUID and KUID-DT), Twin Falls (KIPT and KIPT-DT), and Coeur d'Alene (KCDT and KCDT-DT) are dedicated to:

- Providing quality educational and cultural television programs from national sources to the Idaho population at large;
- Providing instructional television services to Idaho public schools;
- Providing ancillary telecommunication services to other State institutions and agencies;
- Providing television programs designed to meet specific needs of Idahoans when these programs are unavailable elsewhere; and
- Serving as training centers for college-level students entering the communications field.

## **STATUTORY AUTHORITY**

IdahoPTV derives its authority from the Idaho State Board of Education, which has delegated responsibility to the general manager to administer, coordinate and supervise Idaho's public television stations. No statutory authority exists for IdahoPTV since it is a State Board of Education established entity.

## **FUNDING**

In fiscal year 2010, IdahoPTV received about 52% of its funding from the Friends organization, about 34% from the State's General Fund, about 13% from the Corporation for Public Broadcasting, and about 1% through federal funding and miscellaneous funding.

## **ORGANIZATION**

IdahoPTV is governed by the State Board of Education, which appoints the general manager to manage day-to-day operations of the system. The general manager is responsible for ensuring adherence to local, State, and federal regulations by all public broadcasting operations in the State of Idaho, for which the Board is the designated licensee by the Federal Communications Commission. The general manager may establish policies and procedures for internal management of IdahoPTV. Such policies and procedures are subject to the Board's review and action.

At June 30, 2010, IdahoPTV had 54 full-time employees (see the organizational chart on the following page).

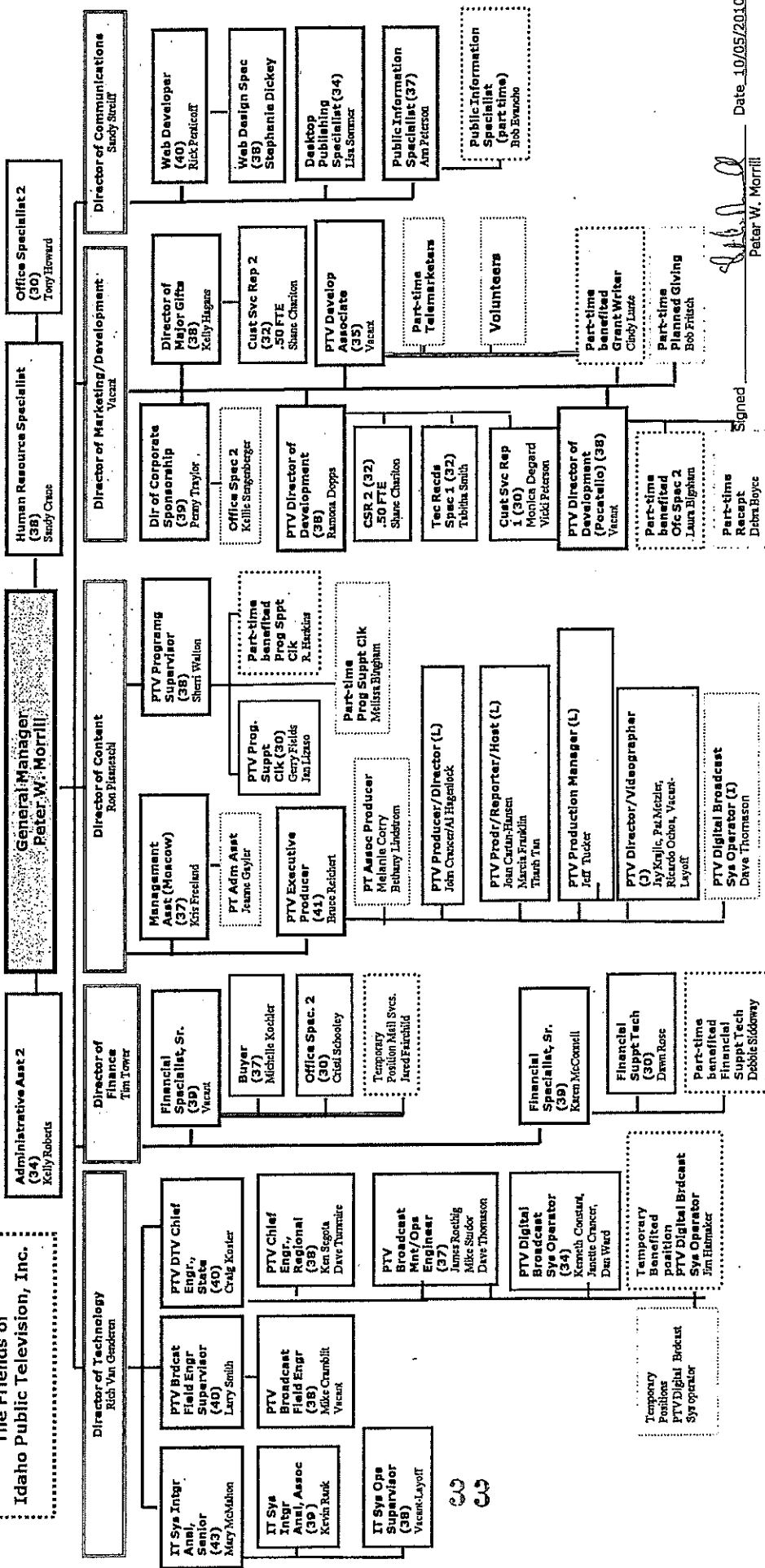


IDAHO PUBLIC TELEVISION  
idhoptv.org

The Friends of  
Idaho Public Television, Inc.

# IDAHO STATE BOARD OF EDUCATION IDAHO PUBLIC TELEVISION ORGANIZATION CHART October 5, 2010

**Total**  
• 54 Full-Time employees  
• 87 part-time temporary employees  
• 144 Total employees



Date 10/05/2010

Signed  
Peter W. Morrill